



Official Opening Remarks by

Oduetse A. Motshidisi,

Chief Executive Officer, Non-Bank Financial Institutions Regulatory
Authority

**Botswana Pension Society
Annual Conference**

March 9, 2022

***“Keeping Up to Date On The Latest Changes Affecting Retirement
Funds”***

Salutations

The Acting Chairman of Botswana Pensions Society, trustees and principal officers of pension funds, industry players, distinguished guests, ladies and gentlemen, a very good morning to you all.

It is an honour to be part of the proceedings this morning on the occasion of this year's Botswana Pensions Society Annual Conference, aptly themed “**Keeping Up to Date on the Latest Changes Affecting Retirement Funds**”. Your presence today is an affirmation of the important role that pension funds play in our personal lives and the economy, as such I look forward to the usual thoughtful and informative discussions that can directly impact policy formulation with regard to governance and management of pensions, in the present and future, especially so in light of the programme that the Society has put together on topics ranging from Sustainable Investing, Governance, Regulatory Requirements, Portfolio Design and Others.

Ladies and Gentlemen, it is perhaps worth remembering that the Non-Bank Financial Institutions Regulatory Authority is charged with the responsibility of contributing positively to the stability of the financial system, through amongst others, the regulation and supervision of the non-bank financial institutions sector, which includes the retirement funds industry. ***The Authority*** strives to continually enhance stakeholders' confidence in the financial system through promotion of, inter alia, the safety, soundness and orderly conduct of regulated entities. It also has the responsibility of protecting consumers of financial services to the extent that does not compromise prudential supervision

Director of Ceremonies, for the past two years, the COVID-19 pandemic has had far reaching impact on the global pensions industry in a number of ways as evidenced by reduced members contributions, early withdrawals and in some cases lower and negative investment returns.

In the local context, the impact of the pandemic has been most evident in the impeded ability of employers, particularly those in the most hard-hit sectors such as tourism, mining and hospitality services, to honour their periodic contributions to pension funds.

A few of those affected had had to apply for and were granted contribution deferrals or holidays to assist them to manage the effect of the pandemic. However, on balance the industry has remained resilient and, indeed recorded growth in assets across the COVID-19 pandemic period

In that regard, the NBFIRA 2021 Annual Report showed that investments of local pension funds remained relatively stable. Between November 2020 to November 2021, total assets grew by approximately 17 per cent to about P119 billion, while the number of pension fund members grew by five per cent from 264 591 to 280 258 members between 2019 and 2020.

While global markets were relatively bullish and supportive of the performance recorded, the professionalism and diligence of the key stakeholders, many of them participating in this conference played a major role in the outstanding management and performance of the pension funds. In that regard, I thank you for discharging your respective responsibilities in such an exemplary manner. Of course the best placed people to thank you are the owners and/or members of the pension funds and citizens at large

for the increased welfare from the operations of well managed pension funds.

While the performance and growth of pension funds is commendable and indeed welcome, pension funds need to think carefully about their role in the present fiscal and economic challenges faced by the country. It is essential that without compromising their primary fiduciary duties to their members, pension funds look beyond short term returns on investments to perhaps use substantial resources they command in targeted ways to support development budgets that can hopefully result in citizens benefiting from higher economic growth and faster recovery, especially after shocks like the COVID-19 pandemic. It goes without saying that in such circumstances, the rules should be clear and transparent and above all, subject to the discipline of market forces.

On a related issue, I would also urge you to seriously reexamine whether, for instance, the 70/30 per cent rule is still relevant, in view of the economic and fiscal changes that have occurred since the guideline was issued

In spite of the good performance that I have duly acknowledged there are still areas of governance where the industry performs below expectations. The most notable being the late submission of annual statutory returns, I need not remind you how important the returns are in enabling *the Regulatory Authority* to conduct effective offsite monitoring of regulated entities and accordingly report accurately on the financial position of the industry. In this regard, **Director of Ceremonies**, I sincerely urge all pension funds trustees to ensure compliance with all regulatory requirements, including timely submission of annual statutory returns.

Director of Ceremonies, in keeping with the times, it is essential that as a Regulator we remain agile and able to respond to the growing complexities and demands of the retirement funds industry's ecosystem, in order to support our stakeholders increasing sophistication and demands. To this end, *the Authority* continues to realign regulatory processes to ensure they are fit for purpose. The noteworthy developments include:

- a) The review of the Retirement Funds Act, 2014 and the regulations which commenced in 2021. The objective of the review is to improve fund governance and the sustainability of retirement funds, as well as to align the legislation with international standards. Notably, provisions relating to pension benefits and withdrawals, are being considered with the intention to support and sustain the members' life benefits upon retirement. The review also seeks to enhance the regulations for funds administration, by covering aspects that are not adequately provided for in the current Act.
- b) In 2021, *the Authority* began the review of the Pension Investment Rules, for instance, PFR2, to ensure their continued effectiveness and relevance. Parallel to this, *the Authority* is also examining Environmental Social Governance risk factors with the view to provide guidelines of how pension funds can incorporate them into their management strategies and investment processes.
- c) **Ladies and gentlemen**, in the quest to improve the governance and oversight of retirement funds, *the Authority* is also in the process of drafting the Annuity Rules for

pension funds and Guidelines for Custodians of Retirement Funds. Further communication and consultation will ensue in due course.

- d) In addition, in an effort to enable us to serve our stakeholders better, ***the Authority*** is in the process of upgrading the Risk Based Supervisory System to improve its efficiency and to make it more user friendly. With respect to the pension industry, the system upgrade includes among others, configuration of a newly revised PFR4 Quarterly Return with new improvements to meet International Monetary Fund Country Reporting Standards

Distinguished Guests, regulation and supervision works best when it is consultative, in that regard, ***the Authority*** will continue to pursue an inclusive approach with regard to amendments to regulatory frameworks. Stakeholder consultation remains an essential part of the process and inevitably your valued input along with other key stakeholders will continue to be sought at the appropriate times. I stress that your input and suggestions are welcome at all times, even outside specific stakeholder consultations and industry meetings to assist in providing timely

and well-informed contribution to policy making. Strengthening good governance and risk management systems of pension funds remains an important objective which we must all continually pursue.

In relation to the mutual responsibilities for pensions, it is important to note that the obligation to look after pension assets is shared between the owners of the assets i.e. pension funds members and *the Authority*. I have already alluded to the role of the Regulator, but more important is the crucial role that members play in the operations of pensions through the trustees. To date, *the Authority* is generally content with the level of governance and performance of trustees in the discharge of their fiduciary responsibilities. However, trustees cannot afford to sit on their laurels. The capital and other markets in which pension funds are invested are complex and unforgiving places. Members, especially, in defined contribution schemes, rely upon the trustees for good conduct of the affairs of their pension funds. At all times, trustees should assist members to recognise that how much they receive from the scheme is directly linked to how much they pay in. Equally, where trustees have to discharge their duties through

delegation to third parties, sufficient controls have to be in place to monitor that all the delegated activities are delivered optimally

Ladies and gentlemen, I end my remarks by taking this opportunity to thank you for your commitment in pursuing our common goal and responsibility to our primary stakeholders, being the members.

I would like to thank the Botswana Pensions Society for successfully bringing together the impressive line-up of distinguished experts for this year's conference. Such events are important as they allow us to engage in fruitful discussions drawing from a wide range of experience from industry experts like yourselves. I look forward to your productive deliberations and recommendations of the Conference.

I thank you

The Conference is duly opened.